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**FINANCIAL NEWS
AND COMMENT****Republican Victory Is Not Yet
Discounted—Public Likely
to Respond Later.****CREDIT CONDITIONS EASE****Grounds for Optimistic View
of Future—High Money
Restricts Trading.****By WILLIAM JUSTUS BOLES.**

The Wall Street markets paid little attention to Tuesday's extraordinary victory, but they will give heed to the far-reaching changes later on because the event has been by no means discounted and represents, without doubt, the most bullish development that has taken place since the world war ended two years ago. It is the kind of change that has strengthened all investments, put the country on a safer footing and eliminated an element of uncertainty which hampered business and forced the holding up of projects having to do with individual initiative and corporate enterprise.

The investment community long ago made up its mind about the election, and the market gave evidence of the dimensions of the victory and its broad significance to the men and women who have money to invest. It is a chance which will be better understood and increase in influence as time goes on because the President-elect is a man of sound ideas who appreciates his own limitations and the necessity for taking competent advice.

Grounds for Optimism.

Quite apart, therefore, from its political aspects and thinking only of its bearing upon the investment, industrial and business outlook, the election outcome provides a basis for increased optimism and high encouragement. Under the new order of things the country is likely to go on much more easily with its foreign trade expansion, every through business undertakings and provide in addition for such a readjustment of taxes and reduction of public expenditures as shall make it easier for the average family to make both ends meet. The strain of high living has been relieved, and, although readjustment of merchandise prices has provided some relief, a sure corrective will not be found until the cost of running the Government has been materially reduced.

Easier Credit Conditions.

There are some signs of easier credit conditions and for the first time in many weeks there has been a reduction in the rate of discounting of Federal Reserve notes. Rediscounts by the Federal Reserve banks are at virtually record level, and those represented by commercial paper show an unprecedented total. But the credit strain is lessening somewhat, and, with heavy Government withdrawals provided for, banks are giving a good account of themselves in a month not even past.

The strain has not been the same in all lines, and with the release of credit through the reaction in textile, leather, the motor industry and some of the metal branches, it has been possible for the Federal Reserve banks of Philadelphia, Cleveland and Boston to take over nearly \$250,000,000 of loans from reserve bank members, so that the credit strain is most acute. Through that shifting device by which the Federal Reserve banks relieve one another in times of acute stringency, it has been possible to finance the marketing of the crops and obligations growing out of the immense financing of foreign government loans without unusual money market disturbance.

Had it not been for the economic situation, these banks would have varied cities the story of this autumn's money market would have been very different.

As to Deflating.

But the country is taking the liquidation well and coming through the price readjustment infinitely better off for the curtailment of credits that has taken place. The bank position is sounder, but there is no available surplus to place at the command of the borrowers on Stock Exchange collateral. That situation will continue until after the return of business has been restored, and the crop movement fully resumed. Before those engagements have been provided for there will be small chance of reducing call loan rates to a level at which the public can borrow heavily for speculative purposes. But the banks will be in a position to grant the necessary accommodation to commercial borrowers and to aid legitimate business undertakings.

Through special sales and price reductions large merchants are converting immense merchandise stocks into cash balances, which will show up handsomely in the January 1 statements. That readjustment is causing some increase in the failure rate as usual in times of credit strain, when banks are advising their clients to reduce high priced inventories and strengthen their cash position. October failures increased 244 over September and 31 per cent. in liabilities. But that increase was chiefly accounted for by a few important suspensions in manufacturing lines.

Intrinsic Strength.

These occurrences are not pleasant, but they are not nearly as disastrous as would be the consequence of continuing the inflationary movement, with its attendant evils. The ratio of imports to exports in September was only 60 per cent., which is 14 per cent. less than normal for that month. There are indications that the country is building up its potential purchasing power by the good old fashioned method of spending less than it earns.

New York savings banks in the year ended on June 30 increased deposits more than 10 per cent., an excellent showing considering the prevalence of extractive living and the representations of personal wealth. Since then last savings banks of the territory in a recent canvass showed further gain of 3 to 5 per cent. in deposits, which is highly reassuring and confirms reports made by New England savings banks concerning larger savings of their depositors, notwithstanding shutting down of mills and other manufacturing plants on a four or five day schedule, against a six day schedule a year ago.

When a nation of 107,000,000 well to do people really begins to spend less and save more, immense economic benefits must result. Although the movement cannot be said to have gained nationwide momentum, it is an important factor in industrial centers because the average worker realizes that the labor supply is increasing and that conditions of excessive demand which obtained during the war no longer prevail.

The Outlook.

There has been sufficient basis for bullish demonstration in the stock market, but it is lacking because the market is not money with the largest part of capital money with the largest part of much higher rates should the demand enlarge materially, is a restraining influence of real importance.

The Federal Reserve Board would

quickly nip in the bud any attempt to tie up bank funds in such an operation and the banking interests themselves would not countenance it under conditions which prevail to-day. But the time is coming when it will push us into the stock market and there will be such an outburst of speculative enthusiasm as American markets have rarely had.

The country is headed in the right direction, the people are doing their work well, and slowly but surely the process of readjusting commodity prices is bringing the market back to a normal price basis. Much has been done in that direction, but the movement is likely to continue for a con-

siderable time, as the process is correcting a prolonged movement of inflation which almost precipitated a serious economic disturbance. A new day has dawned for the country, however, with the resumption of the proceeds of note sales and other long term financing. With the resumption on December 1 of joint account arbitrage trading between New York and London the security markets will have abandoned practically restrictions enforced during the war. That stage will be before us in mid-month, facilities for spot market trading and broadening demand for international issues.

There are various signs that slowly but surely the basis for a resumption of broad speculative activity of the

kind which assists the public absorption of high grade securities will have been made. It is important that the buying financial market next year will be unprecedented and that the American investing public will respond favorably to applications for large loans by well conducted railroads. The probability that new borrowers will be offered a pretty good rate for loans or that they will receive bids for capital abroad. The country has the best organized bond market in the world, and, although prodigious financing has been done, there is nothing to suggest that the total investment demand has been fully supplied.

financing for domestic corporations remains to be done, and it looks as if the strain on bank credit would be relieved further by efforts being made to increase the amount of money available with the proceeds of note sales and other long term financing. With the resumption on December 1 of joint account arbitrage trading between New York and London the security markets will have abandoned practically restrictions enforced during the war. That stage will be before us in mid-month, facilities for spot market trading and broadening demand for international issues.

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